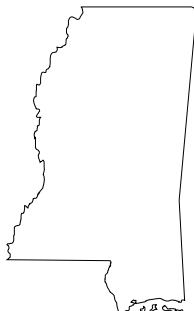


MISSISSIPPI
STATE TAX COMMISSION
OFFICE OF REVENUE
FORM 83-100

2001

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PLEASE USE THIS LABEL
ON YOUR RETURN



2001 Corporation Income and Franchise Tax Forms

If someone else prepares your income tax return, please take this forms packet to that person so the peel-off label above and the enclosed envelope may be used for your return. There are some important things you can do to help speed processing and reduce the cost of your government:

- **Use the peel-off label.** Remove the label and place it in the name and address area of your return. If the label is NOT correct, neatly mark through incorrect information and plainly print or type correct information on the label. **DO NOT USE THIS LABEL ON COMPUTER GENERATED FORMS.**
- **Use the envelope enclosed in this booklet.**
- Additional schedules and attachments may be stapled to your return.
- C-Corporations and S-Corporations have separate forms booklets. If you received the wrong booklet, please call (601) 923-7815 for the correct set of forms and instructions.
- **Web site** - Please visit our web site located at www.mstc.state.ms.us to find any updates to the instructions and/or worksheets that are contained in this booklet. In the **Download Tax Forms** section, click on **Tax Year, Corporate Income and Franchise Tax, Partnership Tax, or S-Corporation Income and Franchise Tax.**
- **You may download forms from our web site.**

GENERAL INSTRUCTIONS

HOW TO FILL OUT FORMS

Use **Black Ink** when preparing these returns.

Indicating a Loss - To indicate a loss (negative income), shade the minus (-) box next to the dollar amount.

WHO MUST FILE

Every corporation domesticated or qualified to do business in Mississippi must file a return even though the corporation is inactive or not otherwise engaged in business. **SUCH A CORPORATION REMAINS SUBJECT TO THE FILING REQUIREMENTS UNTIL SUCH TIME AS THE CORPORATION IS OFFICIALLY DISSOLVED OR WITHDRAWN THROUGH THE OFFICE OF THE MISSISSIPPI SECRETARY OF STATE.** Foreign corporations engaged in business in Mississippi or having sources of income in this state who have not qualified to transact business in this state through the offices of the Secretary of State are subject to the measure of the income and franchise tax levy. Corporations exempt from one or more of the levies covered by the combination report must indicate their authority for the exemption.

Insurance companies must file their income tax returns on Form 85-391.

CHANGES FOR 2001:

- **Extraterritorial Income** - Mississippi has not adopted federal provisions concerning the exclusion of extraterritorial income.
- **Income and Franchise Tax Exemptions** - The Mississippi legislature in a 2000 special session provided tax exemptions to promote development in growth and prosperity areas. For more detail please contact the Mississippi Development Authority.

House Bill 1695 (2001 regular session) effective January 1, 2001 made the following changes:

(For further detail see explanation on page seven (7) or House Bill 1695 at www.ls.state.ms.us click on Bill Status).

- **Arms-Length Transactions** - Compliance with IRC Section 482 is not a safe harbor for determining whether a transaction is considered arms-length for state tax purposes.
- **Installment Sales** - Gain from the sale of casual property will be recognized in the year of sale. Tax on the gain may be deferred with certain limitations. No deferral is allowed for most sales from Dec. 17, 1999 through Dec. 31, 2000.
- **Business Income** - The definition of "business income" was revised to clarify and delineate both the "transactional" and "functional" relationship tests.
- **Deductibility of Intangible Expenses and Costs and Related Interest Expenses Incurred with Certain Related Members** - Expenses and costs associated with the use, maintenance, etc. of intangible property which are incurred with certain related members will be required to be added back when computing net income.
- **Direct or Separate Accounting Method** - Multi-state taxpayers are no longer authorized to use the direct accounting method when computing net income.
- **Franchise Tax Apportionment Ratio** - (For tax years ending on or after December 31, 2001) - The property and receipts of a flow-through entity must be included in a multi-state corporate partner's computation of the apportionment ratio applied to the capital base.

TIME AND PLACE FOR FILING

The Mississippi combination return of corporate income and franchise tax must be filed with the Commissioner on or before the 15th day of the 3rd month following the close of the accounting year. If the due date falls on a Saturday, Sunday, or legal holiday, file on the next business day. A business day is any day that is not a Saturday, Sunday, or legal holiday. The return should be sent to: **Office of Revenue, P.O. Box 23050, Jackson, MS 39225-3050.** If filing a final, combined, or amended return send to: **Corporate Tax Division, P.O. Box 1033, Jackson, MS 39215-1033.**

PERIOD COVERED BY THE RETURN

Returns shall be filed on the basis of the 12-month accounting period established by the corporation. A corporation on a fiscal year basis must enter the beginning and ending dates of the taxable year in the appropriate spaces. No accounting period, other than calendar year, will be recognized, unless before its close it was definitely established as an accounting period by the taxpayer and the books of such taxpayer were kept in accordance therewith. No accounting period shall be changed without the approval of the Commissioner.

PAYMENT OF TAX

The total tax due on the combination return must be paid by the due date, not necessarily the due date of the tax return. For franchise tax, the due date is the due date of the return; for income tax the due date is the due date of income tax estimated payments (which must be not less than 90% of the annual income tax liability), and the balance by the due date of the tax return. Due dates are determined without extensions.

EXTENSION OF TIME TO FILE RETURN

The Commissioner may grant a reasonable extension of time beyond the statutory due date to file any income/franchise tax return. **THE AUTHORIZED EXTENSION OF TIME TO FILE DOES NOT EXTEND THE TIME FOR PAYMENT OF THE INCOME OR FRANCHISE TAX DUE. INTEREST and PENALTY** shall apply on any **UNDERPAYMENT OF TAX**. Taxpayers having a tax liability who request an extension of time must remit the tax due with their Mississippi application for extension. Corporations may submit Form 83-180 on or before the due date of their returns, including remittance for any remaining tax liability, and receive an automatic extension of time to file their tax returns. If no tax liability exists on the due date of the return, the Commissioner may recognize an extension of time authorized and granted by the Internal Revenue Service for the filing of annual income tax returns.

INTEREST AND PENALTY PROVISIONS

Late Payment - Interest at the rate of 1% per month from the regular due date until paid, is due on the amount of unpaid tax whenever such is not paid on the regular due date, even though an extension of time to file the return has been granted or authorized. The penalty imposed for failure to pay the tax when due is 1/2% per month based on tax not paid by the due date not to exceed 25% in the aggregate.

Late or Non-File - Penalties are imposed for failure to file a return when due. The penalty imposed for failure to file a return is 5% per month not to exceed 25% in the aggregate. The penalty imposed for failure to file is based on the additional amount of tax due, not total tax due on the return. Such failure to file a return penalty shall not be less than \$100.

Incomplete Returns - A corporation that does not file a complete return or does not file a return within the prescribed time may be subject to a penalty of \$25 per required attachment or schedule up to a maximum of \$500 per return. To be a complete return, a return should contain all the requisite general information, as well as all summary tax information and the basic back up schedules.

Examples of the required general information are complete name, current address, ID number, description of product or services, officer's signature, and other information relating to the filing entity as requested on page 2 of Form 83-105. Examples of the summary tax information are the front page of the return, the computation of net income, the franchise tax schedules, the computation of the apportionment factor (if income is apportioned), the balance sheet, the direct accounting income statement (if applicable), reconciliation of tax income with book income, schedules showing the computation of any tax credit taken (such as jobs credit) and schedules showing the computation of any major item in the return.

Examples of the basic backup schedules are details of other additions or other deductions as requested on the computation of net income schedule, details of other additions or other deductions as requested on other statements made a part of the return, and details of nonbusiness income or loss directly allocable to Mississippi and other business income or loss as requested on the computation of net income schedule, detail of other assets, other current liabilities and other liabilities in the balance sheet as are normally included with the federal return.

The purpose of this penalty provision is to ensure that sufficient information is disclosed on the return to assure the collection of the correct tax due. If a minor schedule is inadvertently omitted one time from the tax return, the penalty will not be imposed; but if major schedules (such as the balance sheet) are omitted or incomplete, or if schedules are consistently omitted or incomplete, then the penalty will be imposed. The more severe or consistent the omission, the more likely it is that the penalty will be imposed.

RATES OF TAX

(a) Franchise tax - \$2.50 per \$1,000, or fractional part thereof, of capital, surplus, undivided profits and true reserves employed in Mississippi (Minimum tax of \$25).

(b) Income Tax - 3% on the first \$5,000 of taxable income, 4% on the next \$5,000 of taxable income, and 5% on taxable income in excess of \$10,000.

WHO MUST SIGN

The return must be signed by the president, vice president or other officer of the corporation. A receiver, trustee, or assignee must sign any return which he/she is required to file on behalf of a corporation.

INSTRUCTIONS FOR DETERMINING FRANCHISE TAX

The franchise tax is measured by the value of capital used, invested or employed in the exercise of any power, privilege or right enjoyed by the corporation within Mississippi. The mode of measurement is the amount of capital of the corporation employed or so situated as to be privileged to be employed in the state. In determining the amount of capital, the net book value as regularly employed in conducting the affairs of the corporation shall be accepted as prima facie correct as to the true capital of the corporation, except where the Commissioner determines that the book value does not properly reflect capital employed in this state and in that situation the Commissioner's determination of capital shall be prima facie correct.

Form 83-110, Corporate Franchise Tax Schedule, must be completed by all corporations indicating the amount of capital of the corporation. All reserves which do not represent definitely known and fixed liabilities must be considered as elements of capital of the corporation. Amounts designated for payment of dividends may not be excluded unless such amounts have been definitely and irrevocably placed to the credit of the stockholder, subject to withdrawal on demand. Sums representing debts, notes, bonds, mortgages due and payable, depreciation reserves, bad debt reserves, or reserves representing valuation accounts may be excluded (unless between affiliated companies or shareholders).

Attention: Multistate Taxpayers

For tax years ending on or after December 31, 2001 - The property and receipts of flow-through entities must be included in a multi-state corporate partner's computation of the apportionment ratio applied to the capital base.

Lines 10 through 13 of Form 83-110 must be completed by multistate corporations doing business both within and without Mississippi. Total capital of a multistate corporation is apportioned to Mississippi in the ratio that real and tangible personal property owned in Mississippi and gross receipts from business carried on in Mississippi bears to the total real and tangible personal property owned by the corporation and gross receipts wherever located and from wherever received.

The amount of capital apportioned to Mississippi is computed on line 14, Form 83-110. The section of Form 83-110 concerning the assessed values of all real and personal property in Mississippi must be completed by all corporations. Sections 27-13-9 and 27-13-13, Mississippi Code of 1972, provide that the amount of the determined capital in Mississippi shall in no case be less than the assessed value of the Mississippi property of the corporation for the year preceding the year in which the return is due. Taxable capital and the net franchise tax due are calculated on lines 16 through 21 of Form 83-110. The amount of taxable capital shown on line 18 should be entered on line 1, Form 83-105. The net franchise tax due as shown on line 21 should be entered on line 2, Form 83-105.

TREATMENT OF A QSSS AND/OR SMLLC AND ITS OWNER - INCOME AND FRANCHISE TAXES

A federal election to be treated as a Qualified Subchapter S Subsidiary (QSSS) is considered an election for state purposes and as such the QSSS will be treated the same for state income and franchise tax purposes. Thus the QSSS's activity is treated as a division of its parent S Corporation for federal income tax purposes and will be treated in the same manner for state income and franchise tax purposes. A parent S corporation that is required to file and report for Federal income tax purposes on the activity conducted in Mississippi by its QSSS is considered doing business in Mississippi for both income and franchise tax purposes and shall include the activity of the QSSS when making income and franchise tax return filings to this state. The QSSS will not make separate return filings.

An S corporation, which does not have a QSSS election in effect, will make return filings in the same manner as any other S corporation. An S corporation is subject to the franchise tax and must compute its Mississippi income. Unless a composite return election is in effect, each shareholder will make a filing to this state reporting its Mississippi taxable income and, if a corporation, will make at least the minimum franchise tax payment.

A Single Member Limited Liability Company (SMLLC) that is disregarded for federal reporting purposes will be disregarded for state reporting purposes. The SMLLC's activity in this state will be reported by the owner of the SMLLC when making its return filings. A corporate owner of an SMLLC will make income and franchise tax return filings based on its activities and the activities of any disregarded entities. If the owner of the SMLLC is itself an SMLLC or other type of disregarded entity, then such amounts will be reported by the ultimate owners which are not disregarded entities.

INSTRUCTIONS FOR COMPUTING TAXABLE INCOME

Generally, all domestic and foreign corporations having income from sources within Mississippi must complete Form 83-122, Computation of Net Taxable Income Schedule, which makes adjustments for additions to and deductions from Federal ordinary income due to differences in Federal and Mississippi laws, in arriving at the net income (loss) for State purposes.

Total Assignment of Income. If the business activity in respect to any trade or business of the corporation occurs within this state, and if by reason of such business activity the corporation is not taxable in another state, the total net income (loss) of the corporation is assigned to Mississippi.

Direct or Separate Accounting Method. A taxpayer with multi-state activities will no longer be able to file income tax returns in this state using separate or direct accounting unless provided by regulation or as otherwise required by the commissioner. Taxpayers that have been filing without written permission from the commissioner must change to a method of reporting as allowed by regulation. If a taxpayer received written permission prior to January 1, 2001 to report on the direct method of accounting from the commissioner, such taxpayer is required to resubmit for written permission from the commissioner to continue such method. A taxpayer should not assume that permission will be granted to continue reporting using direct accounting.

Apportionment of Business Income. If the business activity in respect to any trade or business of a taxpayer occurs both within and without this state, and if by reason of such business activity the taxpayer is taxable in another state, the portion of the net income (loss) arising from such trade or business which is derived from sources within this state, shall be determined by apportionment in accordance with the formulas prescribed by Regulation 806 unless prescribed otherwise. In such case, the taxpayer must complete Form 83-125, Mississippi Business Income Apportionment Schedule. Multistate contractors use Form 83-124.

Allocation of Nonbusiness Income. Nonbusiness income (loss) shall be allocated by multistate corporations within and without this state in accordance with the provisions of Regulation 806.

CONSOLIDATED OR COMBINED INCOME TAX RETURNS FOR AFFILIATED GROUP OF CORPORATIONS

Under certain conditions and limitations, an affiliated group of corporations shall have the privilege of making, or the Commissioner may require, a consolidated or combined return for the tax year in lieu of separate returns. Mississippi Regulation 807 shall govern with respect to the manner and basis for filing consolidated or combined returns of an affiliated group of corporations.

EACH corporation of an affiliated group of corporations eligible for and electing to file in a combined income tax return must file its own Mississippi corporate income tax return (Form 83-105) and each corporation must complete and attach to their respective return all applicable schedules including the schedule for computation of net income (loss), Form 83-122.

One corporation of the group of corporations must be designated as the Reporting Corporation for purposes of reporting income(loss) for the group. This is indicated on page 1, line 3, of Form 83-105. In addition to the regular income tax return, the designated Reporting Corporation must complete and attach to its return Form 83-310, Summary of Net Income of Corporations. (Please refer to instructions on Form 83-310). The combined net income (loss) (Form 83-310, column C) of the affiliated group must be reported by the Reporting Corporation on its return by entering such amount on page 1, line 4, Form 83-105. Other included members of the group should enter "zero" on page 1, line 4, Form 83-105 and must indicate the name and I.D. number of the Reporting Corporation in the space provided. A Mississippi consolidated tax return is where two or more 100% Mississippi corporations file as one corporation for income tax purposes. Form 83-310 is not filed in this case, as only one income tax return is being filed by the reporting corporation for the group.

Consolidated or combined reporting is authorized only with respect to the income tax levy. Mississippi law does **NOT** authorize consolidated or combined reporting for franchise tax; therefore, separate returns are required of all corporations chartered to do business in Mississippi or which are in fact doing business in Mississippi.

Mississippi income tax due on the combined net income of the affiliated group must be determined and reported by the Reporting Corporation. In case of delinquency or

failure on the part of the Reporting Corporation to report and pay the income tax due, each included member of the affiliated group is severally liable for the tax on a consolidated or combined return and for any determined deficiency thereon. An affiliated group of corporations required by the Commissioner to file a consolidated or combined income tax return must do so in accordance with the provisions of Mississippi Regulation 807, or from specific instructions from the Commissioner.

NET OPERATING LOSSES

For any taxable year ending after December 31, 1997, the period for net operating loss carrybacks and net operating loss carryovers shall be the same as those established by the Internal Revenue Code and the rules, regulations, rulings and determinations promulgated thereunder. §27-7-17(1)(l) of the Mississippi Code of 1972, as amended, was amended so that when the Internal Revenue Code loss carryback and carryforward periods change, the Mississippi carryback and carryforward will change as well. For years ended on or before December 31, 1997 the following applies: A net operating loss for any tax year ending after December 31, 1991, could be carried back to the taxable year preceding the year of the loss. A net operating loss for any tax year ending after December 31, 1992, can be carried back to the 2 taxable years preceding the year of the loss. A net operating loss for any tax year ending after December 31, 1993, can be carried back to the 3 taxable years preceding the year of the loss. Carry the net operating loss to the earliest year first. A short taxable year counts as a taxable year. A taxpayer can elect to relinquish the entire carryback period with regard to a net operating loss from an eligible year, but once this election is made, it cannot be changed. Prior to January 1, 1992, Mississippi allowed a 5 year NOL carryforward but no carryback.

Form 83-155 or other comparable schedule must be attached, or the NOL will not be allowed.

CAPITAL GAINS AND LOSSES

Copies of Federal Schedule D and Federal Form 4797 should always be included with the Mississippi return. In certain instances, as indicated below, a corporation may also be required to file Mississippi Forms 83-135 and 83-140.

A corporation must complete Mississippi Form 83-135 if any of the following situations are present:

1. The entity (on a separate company basis) has or would have a capital loss carryforward from prior years for federal tax purposes;
2. The entity (on a separate company basis) has or would have generated a capital loss carryforward in the current year for federal tax purposes;
3. The entity has a Mississippi capital loss carryforward;
4. The entity generated a Mississippi capital loss carryforward in the current year;
5. The entity, if multistate, has allocable capital gain or loss; or
6. The entity has Mississippi exempt gain under Section 27-7-9(f)(10).

If a corporation is required to use Form 83-135, it must include its apportionable gain as well as its allocable gain in order to correctly compute any Mississippi capital gains, capital loss carryforward, or capital loss carryback. If losses exceed gains, Mississippi allows a three (3) year carryback and a five (5) year carryforward. If a capital loss deduction arising from other than the current year is claimed, the capital loss carryforward/carryback schedule on Form 83-155 must be completed and filed along with Form 83-135. The schedule must show both the year a loss is generated and the year in which it is applied.

Form 83-140, Sales of Property for Allocable Gain or Loss, should be completed whenever Form 83-135 is required. Form 83-145, Sales of Property for Apportionable Gain or Loss, has been eliminated.

A multistate corporation must segregate gains and/or losses into business and nonbusiness income. (See Regulation 806 for state definition of business income and details). When using Form 83-135, nonbusiness income allocable to Mississippi is reported in column (f) and apportionable business income is reported in column (g). Any gains reported on Federal Form 4797 that are allocable to Mississippi are reported on Form 83-140.

Corporations which use direct/separate accounting must use Form 83-124. Any non-allocable gains/losses should be apportioned to Mississippi based on the appropriate activity ratio (see Regulation 806 for details) and reported on Form 83-124, Line 29. A supporting schedule must be attached which provides the apportionable gains/losses; Mississippi allocable gains/losses; and gains/losses to other states. The schedule should be reconcilable with Federal Form 4797 and Schedule D of Federal Form 1120.

Form 83-140 is not included in this booklet, but may be obtained by calling 601-923-7815 or downloaded from our web site located at www.mstc.state.ms.us.

Long Term Capital Gains from Sales of Stock/Interest in Domestic (Mississippi) Corporations, Limited Partnerships or Limited Liability Companies

The 1997 Regular Session of the Mississippi Legislature amended Section 27-7-9 of the Mississippi Code of 1972 to clarify how gains that are not recognized from the sale of interests in certain Mississippi businesses are treated for income tax purposes and for related purposes. The amendment was effective March 18, 1997 and codified in Section 27-7-9(f)(10) and is generally effective for taxpayers whose tax year begins from and after that date. A copy of the amendment is reproduced on page 2 of Form 83-135, Allocable and Apportionable Capital Gains and Losses Schedule, included in this booklet.

"Domestic" means the corporation, limited partnership, or limited liability company must have been incorporated or formed in the State of Mississippi.

Capital Loss Carrybacks/Carryforwards. Effective for tax years beginning on or after January 1, 1992, the capital loss provisions were changed for Mississippi income tax purposes. Prior to the change, capital losses could be deducted against other income, but they were not allowed to be carried forward. After the law change, capital losses can only offset capital gains, but a capital loss can be carried back to the 3 taxable years preceding the loss year and be carried over to the 5 years succeeding the loss year. All provisions of the Internal Revenue Code in regard to limitations on capital losses, capital loss carrybacks and carryovers and holding periods shall be applicable. Form 83-155 or other comparable schedule must be attached showing the carryback and carryover of capital losses.

BUSINESS INCOME OF PRODUCERS OF MINERAL OR NATURAL RESOURCE PRODUCTS

Taxpayers engaged in the trade or business of producing oil, gas, other liquid hydrocarbons, sulfur, coal, sand, gravel and other mineral or natural resource products, except timber, shall determine Mississippi net business income from such activity on a direct or separate accounting basis. The Mississippi gross business income from the production of mineral or natural resources shall include: (a) Sales of natural or mineral resources produced in Mississippi and sold in this state; (b) the market value, at the time of transfer, of all natural or mineral resources produced in this state and transferred by the taxpayer to another state for sale, refining, processing or manufacturing, provided that if the natural or mineral resources are sold by means of an "arms-length" transaction prior to refining, processing or manufacturing, the market value prescribed herein shall not exceed the selling price; and (c) the market value at the time of transfer, of all natural or mineral resources produced by the taxpayer in Mississippi and transferred to a refinery, processing plant, or manufacturing facility of the taxpayer in Mississippi.

A natural resource product shall be deemed to be sold in Mississippi if it is located in this state at the time title thereto passes to the purchaser. In the absence of specific proof of value of natural resources at the time of transfer from the state, the value of natural resources at the time of production shall be determined in accordance with the methods prescribed for the determination of "gross income from the property" for purposes of percentage depletion for federal income tax purposes.

INCENTIVE CREDITS

Incentive credits may be used to offset all or part of the corporate income tax liability. For any of these credits to be allowed, schedules must be attached showing the computations. Form 83-401, Income Tax Credit Summary, should be completed and attached as a part of the return.

The following is a brief description of the major credits allowed under State statutes:

Jobs Tax Credit. A credit is allowed for increasing employment levels in certain types of business. For a credit to be allowed, the business must be primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling, or research and development; or designated by rule and regulation by the Mississippi Development Authority as air transportation and maintenance facilities, final destination or resort hotels having a minimum of 150 guest rooms, recreational facilities that impact tourism, movie industry studios, telecommunications enterprises, data or information processing enterprises or computer software development enterprises or any technology intensive facility or enterprises.

The amount of the credit is determined by the classification of the county in which the qualified job is located. The 82 counties are divided into 3 groups. These groups are less developed, moderately developed and developed. The credit is allowed annually for each net new full time job created for 5 years beginning with years 2 through 6 after the creation of the job. Credit is not allowed for a year if the net employment increase falls below the minimum level. The dollar credit per employee and the minimum number of new jobs needed to be created, in a given year, to qualify for this credit is listed below.

County Classification	Avg. Minimum No. of Jobs Created in a Given Year	Dollar Credit Per Job
Tier Three (Less Developed)	10 or More	\$2,000 Annually
Tier Two (Moderately Developed)	15 or More	\$1,000 Annually
Tier One (Developed)	20 or More	\$500 Annually

The number of jobs created is calculated by taking the average level of employment for the given year (taxpayer's reporting period for income tax) less the average level of employment of the prior reporting period (12 months). The Corporate Tax Division should be consulted if short periods are involved. This is the only credit that involves the use of an average increase over the prior year in its calculation.

Form 83-450, New Jobs Credit Schedule, must be completed and attached to the return.

National and Regional Headquarters Credit. A credit of \$500, \$1,000, or \$2,000 (dependent upon average annual wage) for each net new full-time employee is allowed for any company establishing or transferring its national or regional headquarters from within or outside the State of Mississippi and creating a minimum of 35 jobs at the headquarters. The headquarters credit is available to any company regardless of the business in which it engages except for businesses engaged in the transportation, handling, storage, processing or disposal of hazardous waste. The minimum increase of 35 jobs must occur within 1 year.

Research and Development Jobs Skills Credit. Beginning January 1, 2001, this credit increased from \$500 to \$1,000 for those hired after such date. It is authorized for each full-time employee in any new job requiring research and development skills. Specific examples of jobs requiring research and development skills are chemists and engineers. Qualification of other jobs for this credit would require as a minimum a bachelor's degree in a scientific or technical field of study from an accredited four (4) year college or university, employment in the area of expertise and compensation at a professional level. The research and development job credit is available to any company regardless of the business in which it engages.

A business interested in qualifying for the research and development jobs tax credit should request approval in writing and provide the following information for each individual research and development position: (1) Title, (2) Purpose, (3) Education requirements, (4) Experience requirements, (5) Hours worked per week, (6) Salary or compensation and (7) Expected hire date. The applicant will be notified on approval of the application for credit.

Businesses that employ a person in an approved research and development job for less than their full tax year will be allowed that portion of the yearly credit in the ratio that the number of qualified full months that the employee worked in the state divided by 12.

Child/Dependent Care Credit. An income tax credit is allowed to any employer providing dependent care for its employees during the employee's working hours. The credit allowed is 50% of qualified expenses. This credit can offset 100% of income tax. Any excess credit will not be refunded, but can be carried forward for up to five years. An expense cannot be used both as a deduction and as the basis for a credit. Any expense used in computing the allowable credit cannot be taken as a deduction.

Employers must have their child care program certified by the Department of Health for programs serving children twelve (12) years of age or younger and for programs serving elderly adults and by the State Tax Commission for programs serving other dependents older than twelve (12) years of age. A copy of the certification must be furnished by the taxpayer to the State Tax Commission when the certification is granted.

Information can be obtained at the following office: Mississippi State Department of Health, Division of Child Care and Special Licensure, P. O. Box 1700, Jackson, MS 39215-1700.

Basic Skills Training or Retraining Credits. A credit is allowed for certain employer-sponsored basic skill training and retraining programs. The credit allowed is 50% of qualified expenses not to exceed 50% of the income tax liability. Any excess credit will not be refunded, but can be carried forward for up to five(5) years. In addition, the credit shall not exceed \$2,500 in the aggregate, per employee, over a three-year period.

The job training and retraining tax credit shall be in addition to all other tax credits heretofore granted by the laws of this state. This credit stands to be repealed from and after July 1, 2002.

Temporary Assistance to Needy Families Wages Paid Credit. This income tax credit is for employers who hire persons who are receiving Temporary Assistance to Needy Families (TANF) at the date of hire. **This credit was repealed from and after January 1, 1999, no one hired on or after January 1, 1999 will qualify an employer for this credit.** Credit is being allowed for the full 36 months for those employees hired prior to January 1, 1999 who continue to be employed. Any unused credit cannot be carried forward.

Mississippi Business Finance Corporation Revenue Bond Service Credit. Only debt service paid on revenue bonds issued by the Mississippi Business Finance Corporation to finance economic development projects to induce the location of manufacturing

facilities within this state can be taken as a credit. This credit can be used against the taxes due from the income generated by or arising out of the economic development project. For more information on the benefits of this program contact: Mississippi Development Authority, P.O. Box 849, Jackson, MS 39205-0849.

Ad Valorem Inventory Tax Credit. This is an income tax credit for manufacturers, distributors and wholesale or retail merchants for a certain amount of ad valorem taxes paid on commodities, goods, wares and merchandise held for resale. The credit may be claimed only in the year in which the ad valorem taxes are paid and may be claimed for each location where such commodities, products, goods, wares and merchandise are found and upon which the ad valorem taxes have been paid. For the 1997 tax year and beyond the tax credit for each location on which ad valorem taxes have been paid, shall not exceed the lesser of \$5,000 or the amount of income taxes attributable to such location.

The act also provides that any ad valorem taxes paid by a taxpayer that is applied toward the tax credit may not be used as a deduction by the taxpayer for state income tax purposes. **A COPY OF THE TAX RECEIPT FROM THE COUNTY THAT SHOWS THE INVENTORY VALUATION AND A SCHEDULE SHOWING THE CALCULATION OF THE AD VALOREM TAX PAID BASED ON THE VALUATION MUST BE ATTACHED TO THE RETURN.**

Export Port Charges Credit. An income tax credit is authorized for taxpayers that utilize the port facilities at state, county, and municipal ports. The income tax credit is equal to the total export cargo charges paid by the taxpayer for: (a) receiving in the port; (b) handling to a vessel; (c) wharfage. The credit provided shall not exceed 50% of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits. Any unused portion of the credit may be carried forward for the succeeding 5 years. The maximum cumulative credit that may be claimed by a taxpayer pursuant to this act beginning January 1, 1994 and ending December 31, 2002 is limited to \$1,200,000. The act is effective January 1, 1994, and shall stand repealed after December 31, 2002.

Reforestation Tax Credit (RTC) - Beginning in 1999, this credit, based on the costs incurred for certain approved reforestation practices, is an amount equal to the lesser of fifty percent (50%) of the actual cost of approved practices or fifty percent (50%) of the average cost of approved practices as established by the Mississippi Forestry Commission. In any taxable year, the RTC shall not exceed the lesser of (\$10,000) or the amount of income tax imposed upon the eligible owner for the taxable year reduced by the sum of all other credits allowable to the eligible owner. The lifetime maximum reforestation tax credit that an eligible owner may utilize is (\$10,000) in the aggregate. Any unused portion of the RTC may be carried forward to succeeding years. Reforested acreage on which the eligible owner receives any state or federal cost share assistance funds to defray the cost of an approved reforestation practice is not eligible for the RTC. The RTC is not available to private corporations which manufacture products or provide public utility services of any type or any subsidiary of such corporations.

General Restrictions on the Incentive Credits

The only credits whose usage are dependent on another credit are the Export Port Charges Credit and the Reforestation Tax Credit. The RTC should be used last.

The total of the Jobs Tax Credit, the Headquarters Credit and the R & D Skills Credit, cannot exceed 50% of the total income tax due. The other credits are not limited in such a manner and their usage will be independent of one another. When one credit is limited to 50% of the income tax due and another one is also limited to 50% then combined they may offset 100% of the income tax due. It will be up to the taxpayer to list which credits are to be used on the tax return. Please keep in mind that a number of the credits do not have carry forward provisions.

Advanced Technology, Enterprise Zone or Corporate Headquarters Facilities Credit are credits that were qualified for prior to July 1, 1989 that are still being used by a few taxpayers. They can offset 100% of the income tax due but they cannot be carried forward.

When a deduction on the Mississippi tax return also gives rise to a tax credit, the amount of that credit which is being used in the current return must be added back to Mississippi income or loss after any apportionment of income. The adding back of the credit to taxable income will increase the tax liability, which may increase the amount of credit that may be taken. When this is the case, continue to increase the amount of credit being used and the add back to income until there is a difference of \$1,000.00 or less between the two. Therefore, the credit added back may be, at most, \$1,000.00 less than the credit being used. This is a departure from prior years instructions. It has been changed due to the fact that a credit may be earned in the current year but may expire prior to being used by the taxpayer, thereby denying the taxpayer a deduction. Also, some credits are based on a percentage of an expense, and in this case only the credit used should be added back. Those credits which are affected are: Finance Company Privilege, Child/Dependent Care, Basic Skills Training or Retraining,

Gaming, TANF (AFDC), Research & Economic Development (RED), Export Port Charges, and Reforestation tax credits.

The credits allowed shall not be used by any business enterprise or corporation other than the business enterprise actually qualifying for the credit.

Completing the Return

Round to the Nearest Dollar All dollar amounts should be rounded to the nearest whole dollar (no pennies). Round down to the next lower dollar amounts under \$.50 and round up to the next higher dollar amounts of \$.50 and over. For example: \$2.15 becomes \$2.00; \$4.75 becomes \$5.00; and \$3.50 becomes \$4.00. Additional schedules or attachments may be stapled to the return. Follow the line instructions on the return. Additional specific instructions follow.

LINE ITEM INSTRUCTIONS FOR FORM 83-105 PAGE 1

Taxpayer Information Please provide all information requested. County codes are listed in the following table. Enter the code corresponding to your principal business location.

County Codes

County	Code	County	Code	County	Code
Adams	01	Irawamba	29	Pike	57
Alcorn	02	Jackson	30	Pontotoc	58
Amite	03	Jasper	31	Prentiss	59
Attala	04	Jefferson	32	Quitman	60
Benton	05	Jefferson-Davis	33	Rankin	61
Bolivar	06	Jones	34	Scott	62
Calhoun	07	Kemper	35	Sharkey	63
Carroll	08	Lafayette	36	Simpson	64
Chickasaw	09	Lamar	37	Smith	65
Choctaw	10	Lauderdale	38	Stone	66
Claiborne	11	Lawrence	39	Sunflower	67
Clarke	12	Leake	40	Tallahatchee	68
Clay	13	Lee	41	Tate	69
Coahoma	14	Leflore	42	Tinnah	70
Coniah	15	Lincoln	43	Tishomingo	71
Covington	16	Lowndes	44	Tunica	72
Desoto	17	Madison	45	Union	73
Forrest	18	Marion	46	Walthall	74
Franklin	19	Marshall	47	Warren	75
George	20	Monroe	48	Washington	76
Greene	21	Montgomery	49	Wayne	77
Grenada	22	Neshoba	50	Webster	78
Hancock	23	Newton	51	Wilkinson	79
Harrison	24	Noxubee	52	Winston	80
Hinds	25	Oktibbeha	53	Yalobusha	81
Holmes	26	Panola	54	Yazoo	82
Humphreys	27	Pearl River	55	Out-of-state	83
Issaquena	28	Perry	56		

Line 1. Enter the amount of taxable capital from Form 83-110, line 18.

Line 2. Enter the amount of franchise tax due as computed on Form 83-110, line 21. Franchise tax is due by the original due date of the return. The automatic six-month extension of time only extends the time for filing the return, not the payment of any tax. If the franchise tax is not paid by the original due date, interest and penalty for late payment should be computed and entered on line 15. See instructions for line 15 for the computation.

Line 3. If applicable, check the appropriate block and enter the name and Federal employer identification number of the Reporting Corporation.

An affiliated group is allowed to file a consolidated return **only** if all members of the affiliated group report 100% of their income to Mississippi. Separate franchise tax returns are still required. If an affiliated group files a consolidated return, in general, Federal consolidation rules should be used. If a combined return is filed, each corporation included in the combined return must file its own separate return on which it computes and remits its franchise tax, and also computes its Mississippi taxable income. The taxable income or loss computed by each corporation is then combined on the Reporting Corporation's return. The primary benefit of filing a combined return is that a Mississippi taxable loss in one corporation could offset Mississippi taxable income in another corporation thus giving the combined group the loss offset in the current period.

THE TAX RETURNS OF ALL MEMBERS IN A COMBINED OR CONSOLIDATED GROUP SHOULD BE SENT IN AT THE SAME TIME. DO NOT STAPLE ALL OF THE RETURNS TOGETHER. EACH RETURN SHOULD BE FASTENED SEPARATELY. SEND TO: CORPORATE TAX DIVISION, P. O. BOX 1033, JACKSON, MS 39215-1033.

Line 4. If this corporation is not included in a combined group, enter the amount of Mississippi net taxable income from line 27 of Form 83-122, Computation of Net Taxable Income Schedule. If a combined return is filed, enter zero, **except the Reporting Corporation**, which enters the combined group's Mississippi net taxable income from Form 83-310, Summary of Net Income of Corporations.

Line 5. Enter the amount of income tax due. The rates of tax are: 3% on the first \$5,000 of taxable income; 4% on the next \$5,000 of taxable income; and 5% on taxable income in excess of \$10,000.

Line 6a. Enter the amount of Ad Valorem Inventory Tax Credit allowed as computed in Schedule A, Form 83-401, Mississippi Income Tax Credit Summary. This credit may be claimed only in the year in which the ad valorem taxes are paid and may be claimed for each location where such commodities, products, goods, wares and merchandise held for resale are found and upon which the ad valorem taxes have been paid. For the 1997 taxable year and beyond, the tax credit for each location shall not exceed the lesser of \$5,000 or the amount of income taxes that are attributable to such location.

Line 6b. For each credit claimed, other than ad valorem, enter the credit code number and the amount of credit. Place the total claimed in the far right column. For limitations please see the credits section on page 4 and 5.

Line 7. Enter the net income tax due (line 5 less lines 6a and 6b). If the total of lines 6a and 6b equals or exceeds the amount shown on line 5, enter a zero.

Line 8. Enter the total franchise and income tax due. (Add lines 2 and 7).

Line 9. If the current Mississippi Income Tax liability (line 7) is \$200 or less, then estimated income tax payments were not required for this year. If the current year Mississippi Income Tax liability exceeded \$200, Form 83-305 should be completed and attached to the return. Enter on this line the amount shown on Form 83-305, line 18.

Line 10. Enter the total amount due for franchise and income tax, interest and penalty on underestimated income tax payments (add lines 8 and 9).

Line 11. Enter the credit due for previous payment. The amount of overpayment from the prior year should be the amount shown on the previous return as an overpayment to be credited to the next year.

Line 12. Enter the total amount of estimated tax payments and payments with extensions. This should equal the total of quarterly estimated income tax payments and the amount of income and franchise tax paid with the request for an automatic six-month extension of time to file.

Line 13. Enter the total previous payments made for the tax year (add lines 11 and 12).

Line 14. Enter the balance of tax due. This is the amount of total tax due less previous payments (line 10 minus line 13).

Line 15. Enter the amount of interest and penalty due on late payment of the tax. An extension of time only extends the time for filing a return, not payment of the tax. If the income and franchise tax is not paid by the original due date of the return, then interest is due at the rate of 1% per month.

Failure to Pay Penalty - The penalty imposed for failure to pay the tax when due or on additional tax due is 1/2% per month, not to exceed 25% in the aggregate. The penalty is based on additional tax due. Interest and penalty for late payment is not charged on interest and penalty on underestimated income tax payments. The correct amount to be used in computing the interest and penalty for this line (line 15) is line 8 minus line 13.

Failure to File Penalty - The penalty for failure to file a return is 5% per month not to exceed 25% in the aggregate. The penalty imposed for failure to file is based on the additional amount of tax due, not total tax due on the return. Such failure to file penalty shall not be less than \$100.

Line 16. Enter the amount that is remitted with this return (line 14 plus line 15). Make check payable to: **State Tax Commission** for the total amount due.

Line 17. If there is an overpayment (line 13 minus line 10), enter the amount of the total overpayment on this line. On lines 18 and 19, designate the disposition of this total overpayment. The total of lines 18 and 19 should equal line 17.

Line 18. Enter the portion of line 17 that you wish refunded.

Line 19. Enter the portion of line 17 that you wish to carry forward and credit against your next year's tax liability. This credit will be considered for estimated income tax purposes as a first quarter payment.

Instructions for Form 83-122 Computation of Net Taxable Income

Line 1. Enter the amount of **taxable income or loss** (before Net Operating Loss and Special Deductions) per Federal Form 1120.

State Additions to Income

Line 2. State Income Tax Adjustment Taxes based on income are not deductible. Enter the amount of state, local and foreign government income taxes claimed as a deduction on Form 1120.

Line 3. Interest Adjustment Interest on obligations of states and political subdivisions thereof outside Mississippi is taxable for Mississippi purposes. Enter the amount of interest on obligations of states and political subdivisions thereof (**other than Mississippi**) received by the corporation, **net of expenses**.

Line 4. Depletion Adjustment No deduction is allowed for depletion in excess of the cost basis of the depleting asset. Enter the amount of depletion claimed on Form 1120 in excess of the cost basis of the asset on which the depletion is claimed.

Line 5. Allocable Part of Net Loss from Federal Form 4797 *If multistate*, enter the amount of allocable net loss claimed on Form 1120. Any loss allocable to Mississippi should be reported on Form 83-140. See Line 21.

Line 6. Other Additions Add back any other item the taxability of which is treated differently for Mississippi income tax purposes than was treated for Federal income tax purposes. Itemize here. Attach a schedule if needed. Increases resulting from 2001 legislative changes may be added here.

Line 7. Total Additions Add lines 2 through 6 and enter total here.

State Deductions from Income

Line 8. Exempt Interest received on U. S. Government obligations is not taxable to Mississippi. Enter the amount of such interest reported as income on Form 1120, **net of expenses**.

Line 9. Wages Adjustment Federal income tax laws allow certain employment tax credits based on wages paid to employees, and a portion of the wages on which the credit was based is not allowed as a deduction. Mississippi does not allow these credits. Enter the amount by which wages were reduced on the Form 1120 by employment tax credits (such as the Targeted Jobs Credit).

Line 10. Capital Gains *This adjustment is applicable only if Form 83-135 must be used to report certain capital transactions for Mississippi purposes. See instructions on Form 83-135, page 2.* If applicable, enter the amount of capital gain net income from Federal Form 1120. See Line 20 of this form.

Line 11. Allocable Part of Net Gain from Federal Form 4797 *If multistate*, enter the portion of the net gain which is allocable that is included on Line 9, Form 1120. Any gain allocable to Mississippi should be reported on Form 83-140. See Line 21.

Line 12. Other Deductions Deduct any other item which is treated differently for Mississippi income tax purposes than was treated for Federal income tax purposes. Itemize here. Attach schedule if needed.

Line 13. Total Deductions Add lines 8 through 12 and enter total here.

Line 14. Adjusted Federal Form 1120 Income or Loss Line 1 plus Line 7, minus Line 13.

NOTE: If you are a 100% Mississippi taxpayer (as opposed to multistate), skip Lines 15 through 17 and enter the amount shown on Line 14 on Line 18. Multistate taxpayers must complete Lines 15 through 17 for apportionment purposes.

Line 15. Nonbusiness Income (Loss) Directly Allocable Enter the total amount of nonbusiness net income or loss directly allocable to the various states, including Mississippi. Attach a schedule detailing income and expenses relating to the nonbusiness or allocable activities. This relates to items such as nonbusiness interest

and foreign dividends, etc.

Line 16. Net Business Income Subtract Line 15 from Line 14. This is the amount of business income that is subject to apportionment by corporations with multistate operations.

Line 17. Apportionment Ratio Enter the apportionment ratio determined from Form 83-125, Part II.

Line 18. Mississippi Net Business Income Multistate corporations - multiply the amount shown on Line 16 by the Apportionment Ratio shown on Line 17 and enter the results on this line. 100% Mississippi - enter the amount from Line 14 above.

Line 19. Adjustment Related to Mississippi Tax Credits Claimed Enter the amount of any credit which is used to offset all or a portion of the income tax liability when the credit is based on a deduction claimed elsewhere on the return. This add back to Mississippi income or loss should be made after any apportionment of income since the credit is against 100% of Mississippi tax. See page 5 of the instructions for additional information relating to the computation of the amount to be added back.

Line 20. Mississippi Capital Gain Net Income An entry is required only if Form 83-135 must be used to report certain capital transactions for Mississippi purposes. See instructions on Form 83-135, page 2. If applicable, enter the amount from Form 83-135, Line 18. This amount corresponds with the amount of capital gain reported on Schedule D of Federal Form 1120.

Line 21. Mississippi Allocable Net Gain or Loss An entry is required if you are a multistate and have gain or loss allocable to Mississippi. Enter the amount from Form 83-140, Line 10.

Line 22. Direct Accounting Income Enter the amount from Form 83-124, Page 1, Line 31 or Page 2, Line 15. If the multistate entity filing direct accounting has no other Mississippi sourced income, this will be the first entry on Form 83-122.

Line 23. Nonbusiness Income or Loss Directly Allocable to Mississippi Note: An entry is required on this line only if you are a multistate entity and an entry was made on Line 15. Attach a schedule detailing income and expenses relating to the Mississippi nonbusiness or allocable activities.

Line 24. Other Business Income or Loss Enter here the net income or loss realized from any other business venture, including gain or loss from a flow-through entity, not reported elsewhere in this return. Attach a schedule detailing income and expenses, or Mississippi Schedule K-1, relating to the activities reported on this line.

Line 25. Mississippi Taxable Income or Loss Combine Lines 18 through 24 and enter the result here.

Line 26. Mississippi Net Operating Loss Deduction Enter the total amount of Net Operating Loss Deduction available as a deduction for the taxable year 2001. Attach Form 83-155, Corporate NOL Worksheet, or a similar schedule which identifies the source and computation of Net Operating Losses available as a deduction.

Line 27. Net Taxable Income or Loss for Mississippi Subtract Line 26 from Line 25. Enter the result here and on Form 83-105, Page 1, Line 4 or Form 83-310 if filed on a Combined Return basis.

Extraterritorial Income . Mississippi has not adopted federal provisions related to Extraterritorial Income Exclusion. The amount related to this exclusion of income on the federal return must be added back in the Mississippi income tax return prior to the apportionment of income. The proper placement for this Mississippi adjustment to federal income on Form 83-122, 85-122 and 86-122 is the line titled "Other Additions Required by Law". A copy of Federal Form 8873 should be attached to the Mississippi return when this adjustment is being made for federal purposes.

Law Changes effective January 1, 2001

Arms-Length Transactions. Compliance with IRC Section 482 is not a safe harbor for determining whether a transaction is considered arms-length for state tax purposes. The chairman will consider whether the transaction:

1. is in compliance with IRC Section 482.
2. is for a valid business purpose.
3. results in the shifting of income to another state where the income bears a tax.
4. is consistent with the results that would have been realized if uncontrolled taxpayers had engaged in the same transaction under the same circumstances.
5. represents a shifting of income to avoid the state income tax, as supported by

other information.

Installment Sales - Casual Sale of Property. Gain from the sale of casual property will be recognized in the year of sale. However, tax on the gain may be deferred. Deferred taxes are generally paid as the proceeds from the sale are received. However, the following will result in acceleration of payments.

1. Transfer, disposition, sale, or disposal of the note in any manner will result in deferred tax payments becoming immediately due and payable.
2. Liquidation, dissolution, withdrawal from this state, and certain merger

transactions will result in deferred tax payments becoming immediately due and payable.

3. Failure to comply with the necessary filing requirements.

Business Income. The definition of "business income" was revised to clarify and delineate both the "transactional" and "functional" relationship tests.

Deductibility of Intangible Expenses and Costs and Related Interest Expenses Incurred with Certain Related Members. A taxpayer will be required to add back to its computation of net income:

1. Intangible expenses and costs and interest expenses and costs in relation to or in connection with the direct or indirect maintenance or management, ownership, sale, exchange, or other disposition of intangible property,
2. Royalty, patent, technical, and copyright fees, licensing fees, and other similar expenses,
3. Expenses and costs associated directly or indirectly with factoring transactions or discounting transactions.

Intangible property includes patents, patent applications, trade names, trademarks, service marks and similar types of intangible assets.

Limitations: The adjustment will not apply to such portion of intangible expenses and costs and interest expenses and costs which are not with a related member or the related member is not primarily engaged in the acquisition use maintenance, management, ownership, sale, exchange or other disposition of intangible property and the transaction(s) were done for a valid business purpose.

Direct or Separate Accounting Method. A taxpayer with multi-state activities will no longer be able to file income tax returns in this state using separate or direct accounting unless provided by regulation or as otherwise required by the commissioner. Taxpayers that have been filing without written permission from the commissioner must change to a method of reporting as allowed by regulation. If a taxpayer received written permission prior to January 1, 2001 to report on the direct method of accounting from the commissioner, such taxpayer is required to resubmit for written permission from the commissioner to continue such method. A taxpayer should not assume that permission will be granted to continue reporting using direct accounting.

Franchise Tax Apportionment Ratio. (For Tax Years Ending on or after December 31, 2001). A multistate corporation will include its portion of the property and receipts of any flow-through entities (a partnership for example) in which it holds an interest when computing the apportionment ratio to be applied to the total capital base. Also, it will include its portion of the assessed value of any real and tangible personal property from flow-through entities when determining the corporation's taxable capital.

District Offices of the State Tax Commission

Brookhaven

1385 Johnny Johnson.....601-833-4761

Columbus

4072 Highway 45 North.....662-328-3271

Greenwood

117B Grand Blvd..... 662-453-1742

Gulf Coast

1141 Bayview Ave. (Biloxi)228-436-0554

Hattiesburg

17 JM Tatum Industrial Dr., Ste 2.....601-545-1261

Jackson

1577 Springridge Rd. (Raymond).....601-923-7300

Meridian

2600 Old North Hills Street.....601-483-2273

Senatobia

115 South Ward Street.....662-562-4489

Tupelo

2610 Traceland Drive.....662-842-4316